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## The Society of Incorporated Accountants and Auditors

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## PROFESSIONAL NOTES

### Railway Nationalisation

To the protests of the railways, the insurance offices and the investment trusts, is now added an unprecedented criticism from the Council of the London Stock Exchange. On the strength of their "special and perhaps unique knowledge," the Council maintain, in measured but emphatic terms, that the assessment of compensation to railway stockholders by reference to market values is unfair, inequitable and irrational. Stock Exchange quotations, the Council says in its statement, are not directly related to a company's assets or its profits: they may vary for reasons entirely disconnected from the underlying facts of the company's position. The threat of nationalisation itself was one of the extraneous factors affecting prices during the period of reference laid down in the Transport Bill. Moreover, the volume of business in railway securities has been so small that the recorded quotations are no true guide to the value of the large mass of stocks which have not changed hands. During the period in question, there were in fact less than 800 markings per day in all railway stocks—and these transactions are to be used for evaluating stocks with a nominal worth in excess of £1,200 million! Since in such an inactive market, current quotations do not reflect a measured opinion of the valuation of asset values and future earning power, the Council argue that only free agreement between the parties or their representa-

tives or independent arbitration can produce an equitable result. They add a particular criticism on the proposed treatment of holders of London Transport 3 per cent. stock 1967-72, arguing, in company with a great number of others in and out of Parliament, that the guarantee of income and principal written into the stock is in the public mind a British Government guarantee, whatever may be the Chancellor's strict legal rights. In these circumstances, his proposals, if persisted in, will produce a widespread conviction that the Government has repudiated its guarantee.

### Public Accountants' Bill

At a recent meeting of the Accountants' Co-ordinating Committee, special consideration was given to the proposal that, in the case of a person who is not qualified for the grant of a licence on the licensing date, the thirty months' experience in a practising accountant's office as a condition precedent to the grant of a licence thereafter should not apply to a member of a qualifying body. After full discussion the Co-ordinating Committee decided that it would not be justified in making any alteration on this point in the draft Bill as approved at the Special General Meetings of all the Qualifying Bodies.

### Recent Appointments

The Minister of Health has appointed a Departmental Committee on Greater London Water Sup-



plies. The members of the Committee are Mr. R. Moelwyn Hughes, K.C. (Chairman), Sir Frederick Alban, C.B.E., F.S.A.A., Sir Charles des Forges, C.B.E., Mr. F. J. Nixon, C.B.E., M.Inst.C.E., and Sir Roger Hetherington, C.B., O.B.E. They will examine the system of water supply administration in the Greater London area, and if they recommend changes in that system their report is to state what should be the constitution, powers and duties of the new body or bodies in which control should be vested.

Amongst the governors of the British Broadcasting Corporation recently appointed by H.M. Government is Mr. John Adamson, C.A., a partner in Messrs. McClelland, Ker & Co., London and Glasgow, and chairman of the Association of Scottish Chartered Accountants in London.

Mr. Andrew Black, A.S.A.A., is a member of the new board of directors of Cable and Wireless, Ltd., with effect from January 1, 1947, when the remaining shares of the company passed into Government ownership.

### Trustee Securities

The persistence, even intensification, of the cheap money policy raises in even more dominant fashion the perennial problem of the revision of the Trustee List. The assertion by the Chancellor of the Exchequer last month that security of investment was all important and prevented an extension of the securities on the list, is out of accord with the times. In these days, income considerations cannot be so lightly dismissed—and the difference in security between a British Government stock and a high-class preference or ordinary share is not so large as he implied. It is true that trust instruments are now commonly drawn up bestowing upon trustees a wider discretion than they are given by the official list—but this does not affect trusts established at a time when the rate of interest was high enough to give the list the appearance of a sufficiently exhaustive selection of securities. It would no doubt be unwelcome to the Chancellor to have trust monies transferred in bulk out of gilt-edged and into industrial securities, for it would render somewhat harder his task of overcoming investors' resistance to his cheap money policy, but in equity to the beneficiaries from trust funds, who are often of advanced years and in straitened circumstances, this is no adequate reason for failure to extend the official list. He should also pay due regard to the disappearance of trustee securities following nationalisation and the great reduction in income suffered on compensation.

### Chartered Institute of Secretaries

An interesting dinner was given recently in Guildhall, London, by the Chartered Institute of Secretaries, when Mr. Joseph Stephenson, O.B.E., F.S.A.A., the President, was in the chair. Mr. Stephenson, who was accompanied by Mrs. Stephenson, had the pleasure of receiving guests and members in the newly decorated Art Gallery at Guildhall, where they readily responded to an atmosphere of friendliness and dignity. The Lord Mayor replied to the toast of The Corporation of London. Mr. Stephenson,

in reply to the toast of the Chartered Institute of Secretaries, proposed by the Hon. Mr. Justice Birkett, indicated the extensive work of that Institute, particularly in regard to members and students who had returned from H.M.F. Sir Frank Newson-Smith responded for The Guests. The Secretary, Mr. A. M. Allen, Ph.D., M.A., who was appointed during the last twelve months made excellent arrangements for this large function.

We understand that Mr. H. F. Carpenter, F.S.A.A., the Clerk and Manager of the West Midlands Joint Electricity Authority, has been elected President for the ensuing year.

### Reorganising British Industries

The reports of the "working parties" established by the Board of Trade to enquire into the hosiery, furniture and jewellery and silverware industries have now been published. Mr. R. E. Yeabsley, C.B.E., F.S.A.A., F.C.A., was one of the independent members of the hosiery industry working party. The long term prospects of this industry as a whole are found to be excellent, and sales both at home and overseas should settle at an appreciably higher level than before the war. The establishment of a Hosiery and Knitwear Council is recommended. The functions of this organisation are to act in an advisory and consultative capacity to both the Government and the industry. Many firms will eventually need increased capital on account of higher working costs, and to finance the suggested expansion of the industry. Government action is recommended to ensure greater stability of yarn prices and to restrict subsidised or "dumped" imports. Improvement in the existing costing technique of the industry is considered vital and the committee's recommendations include the use of standard costs, the introduction of an appropriate uniform system of costing and uniform terminology, analysis, and classification of expenditure.

The general conclusion of the working party report on the furniture industry is that the best means of securing long term efficiency in this industry lie in the adoption of positive measures to stimulate imaginative enterprise, and to raise the general ability of management and labour, rather than by the imposition of negative restrictions and controls. Certain measures are, however, proposed, including a National Furniture Council with broadly the same functions as the proposed Hosiery and Knitwear Council. A National College is also suggested to serve as a centre of higher education for those in the industry; furthermore, it is suggested that common services should be established in the industry in the form of a technical research organisation, a design centre, and an economic intelligence service. The Committee are of the opinion that price control and the manufacture of utility furniture must be continued until supplies are reasonably abreast of demand. In their view, however, the utility furniture scheme should be progressively modified and extended to include those not at present in any priority class.

The recommendations in regard to the jewellery



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and silverware industry include the establishment of a Production Efficiency Organisation, financed by a levy, under the central control of a Federation. The functions of this Federation would include such matters as organisation, exports, buildings, sales, publicity, design and research. It is recommended that urgent consideration be given to effecting a drastic reduction in the rate of purchase tax affecting the industry. If, however, this tax is to continue as a revenue-producing tax, it is suggested that a special committee should be set up to advise on the level of tax which the products can bear, and on the principles which should determine its incidence in detail, and also on the question whether the tax could and should be collected as a sales tax imposed at the moment of sale of the article by the retailer. The Federation is advised to set up its own Costing Branch and to evolve an effective uniform system of costing capable of adaptation to the requirements of the whole industry. A statistics sub-committee is also recommended, working in the closest touch with the Board of Trade, which should assume main responsibility for the collection of statistical data. The report also includes certain recommendations in regard to hall-marks.

#### The Chambers of Commerce and the Next Budget

A letter from the Association of British Chambers of Commerce to the Chancellor of the Exchequer emphasises the importance of the direction given to the national finances in 1947 as a factor in accelerating or retarding national prosperity. The steady fall in the purchasing value of the pound (now only 14s. in comparison with 1939) is stated to be a symptom of excessive Government expenditure beyond the productive capacity of the nation. If this is not remedied, it will destroy the value of the social services. The elimination of all controls which are not absolutely vital is urged as a means of diverting energy from preventing production to increasing it. A positive effort must be made to break the vicious circle of existing shortages hindering production, and it is submitted that a material reduction of taxation would supply some of the necessary stimulation. Tax reductions are therefore recommended, even at the cost of postponing for a further year the prospect of a balanced Budget. The greatest psychological incentive would be obtained from reduction in taxes on income, with special attention to the low income groups, and then to the profits of business, to make funds available for re-equipment and modernisation. The purchase tax is now required both to produce revenue and to check inflation.

Specific suggestions are advanced for reductions in direct taxation aggregating £450 to £500 million in a full year. These include a further reduction in the standard rate of income tax, with increased personal allowances—earned income one-sixth with maximum of £250; personal allowance £150, married couple £250; child, £75; reduced rate £50 at 2s., £50 at 4s., £50 at 6s., balance at standard rate. The profits tax (late N.D.C.) should be cancelled from December 31, 1946; it is a discriminatory form of income tax

falling only on businesses, and the exact reverse of the type of tax now required. The principles of the depreciation allowances begun by the Income Tax Act, 1945, should be extended to all business premises and to capital paid for the acquisition of mineral, oil and other natural resources. The proposed reduction in income tax should not be accompanied by any increase in surtax, which on the present basis is a deterrent to new enterprise; the Association recommends consideration of a distinction between earned and unearned income for surtax as well as for income tax.

#### Grants to Cotton Spinning

To encourage re-equipment of the spinning industry and its grouping into larger units, the Government is to pay one-quarter of the cost of new machinery. To rank for the grant, orders must be placed within two years and be completed within five years; the machinery must be installed in units of not less than about half-a-million spindles; and two shift working must begin when modernisation has proceeded sufficiently. The President of the Board of Trade is optimistic at the prospects of spinners' ability to meet the first of these conditions, for he stated that the manufacturers of textile machinery can make more spinning equipment than buyers require—which can surely only be so, even prospectively, if exports of machinery are to be curtailed drastically. There will be some doubts about the wisdom of the second condition, in the form it now takes. While re-grouping into larger units is on the whole desirable, expert opinion is that there is a large number of small firms whose efficiency is quite disproportionate to their size—and the merging of separate mills, in order to reach the stipulated minimum of spindles, will not always produce economies, but frequently diseconomies. Experience will perhaps show that this particular condition will have to be interpreted somewhat loosely if the desired mechanical compensation for the deficient labour force, which is now recognised as permanent, is to be achieved. The third condition, the introduction of double shifts, is an essential one, for in no industry is it more apparent—and more emphatically shown by statistics and costings—that plant economies must be obtained if export markets are to be captured and at the same time the insistent home demand for clothing is to be more fully satisfied.

The giving of an outright grant on the cost of new machinery, familiar enough during the war, is a new departure in peace-time. It is very much in advance of anything done by the more orthodox Income Tax Act of 1945. There seems little doubt that it is preferable to the suggestion made by the majority on the cotton working party, that the financing of re-equipment should be by way of increased prices and a compulsory levy on every spindle. But there is the danger that demands will arise for similar assistance to other industries; and the budgetary position will not permit that, in this particular matter, Lancashire should set a fashion for the rest of the country to follow. Cotton deserves to be treated as a special case—but only as a special case.

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## THE COMPANIES BILL

In accordance with announced intention, the provisions of the Companies Bill follow remarkably closely on the recommendations of the Cohen Committee. None of the clauses is without interest for the accountancy profession, but attention will be directed initially to those relating to accounts and their audit. For the first time it is provided that only a qualified person shall be appointed as auditor of a limited liability company. The extension of the ban on the appointment of partners or employees of directors, officers or servants of a company as auditors to private companies, although theoretically desirable, will, in practice, complicate many simple and economical arrangements of which there appears to have been little evidence of abuse. The profession in general would sympathise with the smaller business man who may feel that this provision will result only in the payment of unnecessary additional fees.

The increases in both the rights and responsibilities of auditors are to be welcomed, and it is a tribute to the work of the profession in the past that the provisions relating to accounts do no more than give legal sanction to the best practice which has been disclosed by that experience.

Long usage has given a familiarity to the words of the traditional audit certificate and for some time the new form, although representing a marked advance, will appear strange; in particular, the requirement to refer to the profit and loss account as well as the balance sheet represents a distinct development. Whether the substitution of the word "fair" for "correct" is either desirable or necessary is a point on which there may be some doubt.

A consolidated profit and loss account and balance sheet are also made obligatory in the case of holding companies, and reference is required to them in the auditor's report. The provisions as to accounts are contained in schedules to the Bill and are in much greater detail than in previous Companies Acts. It is interesting to notice that the definition of the expression "provision" in Part IV of the First Schedule differs from the Institute's Recommendations, and the definitions of capital and revenue reserves deserve critical consideration. In addition to detailed requirements as to the contents of the profit and loss account, balance sheet and consolidated accounts, there are also stated the matters which should be covered by notes.

• The profit and loss account and consolidated accounts are required to be signed by the directors and annexed to the balance sheet, and all members and

debenture-holders of both public and private companies have the right to receive these documents not less than twenty-one days before the annual general meeting. In practice, it would seem that this provision will give rise to a good deal of additional work on the part of professional accountants acting on behalf of private companies, because, quite clearly, accounts for the information of directors will generally be more detailed than even the fuller accounts prescribed for circulation to the shareholders, and two sets of accounts will be necessary. The longer notice required for annual general meetings may also give rise to some pressure on accountants to provide accounts at an earlier date after the close of accounting periods.

The statutory recognition of the office of secretary of the company will be well-received.

The Bill provides that new contracts to pay directors' remuneration free of tax are unlawful and existing Articles of Association providing for free of tax payments are to be automatically amended; contracts made before July 18, 1945, are not affected. Also, loans to directors are made unlawful except with the approval in advance of the members of the company in general meeting. Disclosure of the aggregate amount paid to directors as remuneration is required; the old distinction of the position of a managing director is abolished, but it is provided that emoluments in respect of services as a director shall be distinguished from payment for services in other capacities.

An attempt has been made to distinguish between private businesses which should not be required to file accounts with their annual return and other private companies in which there may be a legitimate public interest. There can be no quarrel with the provision that where the debenture-holders exceed fifty in number, or whether the directors are party to any arrangement whereby the policy of the company is capable of being determined by persons other than the directors, accounts should be filed; but it is also provided that this should be done whenever a corporate body is a shareholder in the company. In the case, therefore, of a private family company which acquires a controlling shareholding in a second, the accounts of the subsidiary company are required to be filed, but not the accounts of the parent company. Exemptions are granted in the clause in respect of corporate bodies acting as trustee and in similar circumstances. It would seem that the desired aim would have been achieved by substituting "public company or the subsidiary of a public company" for the expression "body corporate."

There are reforms in liquidation practice for the further protection of creditors, and there will be particular interest in the provisions against the abuse of the declaration of solvency.

Altogether, the method of the Bill is to provide those interested in the administration of limited liability companies with better means of protecting their own interests, generally by way of greater information. It is inevitable that such a method should result in heavier responsibilities on the profession, and these are no more than have already been freely undertaken. It remains, however, to be seen how far shareholders avail themselves of their increased opportunities.



# Exchange Control in Peace-Time

By W. T. C. KING

In a very few months now, sterling will once again become a convertible currency. More precisely, under the terms of the Anglo-American Loan agreement, Britain has undertaken to make all sterling paid to foreigners as a result of new current business freely available for expenditure in any part of the world—and to do so not later than the middle of July next. That condition is even more stringent than the obligations imposed under the Bretton Woods system upon members of the International Monetary Fund. Bretton Woods, the very essence of which is a multi-lateral world exchange mechanism free from restrictions upon current business, yet acknowledges a transition period of five years or more during which such restrictions may be necessary. Britain at Washington pledged herself to play a full part in the Bretton Woods world, and to do so without the latitude that is available to her fellow-members. Why, then, has the Government sought not merely to extend, but actually to make permanent, the war-time powers of exchange control, thereby establishing the first comprehensive system of control that Britain has ever known in peace-time? The uninitiated observer, and especially the foreign observer, may be excused if he suspects some conflict between these new and permanent powers and the commitments that lie such a little way ahead. He might even suppose, since controls multiply in post-war Britain, that this exchange control measure is but one more consequence of the Socialist programme.

## Britain's Problem

He would be wrong on both counts. The Government's new peace-time powers do not conflict with its international obligations, nor is the need for them political in its origin. On the contrary, without such powers, Britain could not hope either to meet the financial commitments of the loan agreement or to play her part in Bretton Woods. Whether in fact she will be able to do these things is still far from certain; success will depend less upon her own efforts than upon progress, in the wider economic sphere, towards a more liberal system of world trade—and especially upon the extent of America's contribution to that progress. But even if good headway is made, Britain's external problem will present acute difficulties for a long time.

It is more difficult, in many ways, than it looked in 1945, when Lord Keynes and his lieutenants were arguing Britain's case in Washington for American aid—seeking a larger sum than was eventually granted. The American Loan, which looked scarcely adequate in 1945, has in effect since been drastically reduced by the failure of the U.S. administration to keep control of dollar prices. That is the first source of deterioration of Britain's external position. The second source has been somewhat obscured by the unexpectedly rapid progress of the export drive. Thanks to this—but also to the restriction of imports by sheer physical shortages and other bottlenecks—Britain's overall deficit on her balance of payments

for 1946 will be much less than the £750 million originally envisaged, perhaps fully £250 million less. But this global improvement has masked a sharp worsening of the dollar position. Taking visible trade alone, the deficit with "hard" currency areas far exceeds the total trade deficit, which means that Britain, instead of drawing a surplus of goods from Europe and the sterling area to relieve the strain on the American credits, is willy-nilly lending money on balance to Europe and paying off portions of the accumulated sterling balances held by the sterling area. The dollar credits are therefore being used up much more rapidly than had been expected. Unless this top-heavy position can be corrected in the fairly near future, Britain will face a grave exchange crisis in about two years' time. That is the transitional problem—but "transitional" may be a euphemistic word, for it is not yet possible to see how or when the problem will be solved. There is also a longer-term problem, the legacy of war debts—much larger than the war debt of 1914-18—represented by the accumulated sterling balances totalling more than £3,500 million.

## The Purposes of Control

It is this situation which makes the case, the non-political case, for the new Exchange Control Bill. When the resources are so scarce, and the balance of debits and credits so precarious (even after borrowing almost up to the limit), it is obviously imperative to ensure that the reserves are properly husbanded and do not seep away in unnecessary or undesirable capital transactions. That is the immediate object of Britain's system of peace-time exchange control. In the future, as during the war, any control of current expenditure will be achieved by direct control of imports—except that such control will conform to whatever rules are finally agreed for the purposes of the International Trade Organisation. Exchange control will be concerned with the capital account. But since no hard and fast line can be drawn between capital and current transactions, every transaction will have to be scrutinised by the control. The second and permanent object of the system is unrelated to Britain's special difficulties: it is to ensure, as members of the International Monetary Fund are bound to do, that capital movements (whether inwards or outwards) can be regulated and undesirable movements prevented. There must be no repetition of the "hot money" disturbances of the inter-war years.

## The System

Except on points of detail, the Bill itself contains very little that is new. Seven years of war-time experience have enabled the Treasury and Bank of England to build up, gradually by administrative Orders, a highly effective yet flexible system. It derived from the Defence (Finance) Regulations made under the powers conferred by the Emergency Powers (Defence) Acts, as continued under the Supplies and Services (Transitional Powers) Act, 1945. In the



main, those powers are simply re-written and made permanent in the new Bill. But there are two major changes. On the one hand, the Treasury's war-time power to requisition foreign securities held by U.K. residents has been abandoned. On the other hand, to close an obvious loophole which has been opened by the end of censorship and by the increasing freedom with which individuals can move from one country to another, a new control is imposed on bearer securities and on registered securities not registered in the United Kingdom; such securities have henceforth to be lodged permanently with an "authorised depository" selected by the owner.

It is important to note that the new Bill, like the enactment which in this respect it supersedes, does not set up or prescribe the actual system of control. It simply affords the powers under which the system is operated. The system itself will emerge from administrative Orders made by the Treasury or by the Bank of England on its behalf. Hence the fact that the new Bill perpetuates the war-time powers does not mean that the full rigours of the war-time system of control will continue. On the contrary, there is every prospect that the recent tendency towards liberalising the system will shortly become much more pronounced.

In one respect, indeed, the Bill itself takes a step in this direction. The authorised dealers, through which the war-time control has been operated, are made principals acting within the authority of the Treasury, instead of agents in the strict legal sense. The authorities, without waiting for the Bill to become law, have announced that, as from January 13, each dealer will be free to "marry" his own buying and selling orders from clients, and thus will be obliged to "undo" with the Bank of England only the resultant balance instead of having to deal direct with the Bank of England for every transaction. At the same time, the spread between buying and selling rates will in all important currencies be narrower than the abnormally wide margins that have obtained for the past seven years. For the present, the dealers will not be permitted to deal with one another; but limited facilities for such operations are expected to be provided in due

course. When that happened, the nucleus of a "free" exchange market will again emerge in London, and even finer rates may then be quoted. It is probable, too, that the system of open licences adopted in recent years will be much more fully developed, for there is no doubt that the authorities genuinely desire to operate this control with the minimum of inconvenience to current business. Their objective should be—and probably is—a system whereby all reputable traders whose exchange transactions have been beyond reproach will in effect be able to deal first and seek approval afterwards—in the knowledge that, if they infringe the principles of the control or fail to seek guidance in advance for any unusual transactions, the privilege will be withdrawn.

### The Sterling Area

For the rest, the system will be much the same as that to which the business world has already grown accustomed. Transactions of all kinds within the sterling area will remain free. The basis of the whole structure is still the distinction between residents of that area and non-residents; the distinction between countries which, by long tradition, have used London as their bankers and have voluntarily kept their liquid reserves here, and countries which have acted otherwise. In future, however, the term which identifies this practice will be dropped: the "sterling area," which in 1939 for the first time acquired any legal significance, now becomes the "scheduled territories." And since the strength of the whole system, and the capacity of the London authorities to permit capital to move freely within the area, depend upon the effectiveness and adequacy of the controls at every point around the ring-fence, the Treasury has taken power to subtract from (or add to) the scheduled list. It is greatly to be hoped, however, that at least all the principal members of this old-established club will find it possible to observe the traditional rules—even in the difficult and changing conditions of the post-war. Any major infringement would so weaken Britain's difficult position that expulsion would hardly be avoidable. But it would be very regrettable.

## Recent Developments in Accounting in the United States—I

By GEORGE D. BAILEY, C.P.A.

It is more than seven years since two lectures on the identical title now being repeated were given before the London School of Economics by Dr. Thomas H. Sanders, then, as now, Professor of Accounting at the Graduate School of Business Administration of Harvard University. Those lectures covered so thoroughly the position of accounting in the United States at that time, and its development to that point, that the current presentation can well start therefrom. So much has happened in the seven years that a re-reading of those lectures has proved very helpful in writing the current article, and may prove equally helpful to the reader. In passing, it is perhaps appropriate to point out that Dr. Sanders, who so well appraised progress to that time, had an important part in the accounting developments since

that time by virtue of his continued influence as a teacher and writer, and perhaps even more because of his position for a time as Director of Research for the Committee on Accounting Procedure of the American Institute of Accountants during its early years of activity immediately following his return from giving the aforesaid lectures. Nevertheless, it perhaps is fitting that the current presentation of "Recent Developments" should be given by one in full time professional practice, because of the great impact of those recent developments upon the practice of accounting and the utility of financial accounting.

The beginning of the year 1939 appears in retrospect to have been a very significant time in accounting in the United States. The several new governmental bodies

regulating business which were established as a result of the new emphasis on regulation after 1933 were functioning in accordance with their various (and sometimes varied) established policies, and already had found the importance and necessity of accounting as an instrument of regulation. The increased activity of business in its process of recovery from the depression of 1929-1933 had resulted in greater public interest in securities of corporations and ownership therein. The increasing maturity of business and its increasing size were giving rise to greater separation of ownership and management. The date corresponded also with the establishment of an enlarged and re-activated Committee on Accounting Procedure by the American Institute of Accountants, and the organization of a full-time research staff. And in addition, the date is that of the well-known McKesson and Robbins case. More on each of these will appear later.

### The Securities and Exchange Commission

Before it is possible to go much further, it is necessary that the place of the Securities and Exchange Commission be reasonably understood. It is difficult to generalize and summarization runs the risk of oversimplification or even of being misleading, yet complete discussion is patently impossible. As Dr. Sanders pointed out, the Commission was formed to act in the field of sales of corporate securities to the public and in the field of security exchanges and corporate securities dealt in thereon. At first it was described by a member of the Commission as a mere filing cabinet of information, but its duties were enlarged by statute into regulatory powers in certain additional fields, and Dr. Sanders' statement is probably still applicable that "the broad fact is that the Commission has become very much of a censor of the financial and accounting practices of business." The Commission is empowered to deal only with respect to companies whose securities are dealt in by the "public" (and not all of those) and so touches only a small fraction of the corporations of the country. But as far as accounting goes, it does touch all, or almost all, of the important companies whose accounting is exposed to public view (excluding of course corporations subject only to other governmental regulatory bodies), and thus in this field assumes an overriding importance. Generally, the Commission requires that corporate financial statements filed with it be certified by independent public accountants, a practice which was theretofore quite general, particularly with respect to public companies, but not universal. This rule, however, eventually carried with it the requirement on the part of the Commission that both auditing practice and accounting principles be in accordance with objective standards and subject to objective tests *satisfactory to it*. Thus the development of standards which had been and is going on within the profession has been accelerated and sometimes supplemented by activities of the Commission. It was to be expected that the fact that the Commission adopted certain standards for statements filed with it would influence the extension of those particular standards for general application. The extent to which the development of objective standards has affected the various phases of independent public accounting may be indicated by some illustrations.

In auditing, the standard short form of auditors' report or certificate as recommended by the Institute contained a reference to the scope of the examination as being what the auditor deemed appropriate. The variety of audit practice on some points was such that many short reports were expanded by the auditors in order to comment on the performance of certain important audit procedures. The Commission asked

for more positive statements on scope and a disclosure when any normal procedure was omitted and the reasons therefor. The short form of auditor's report therefore was changed to include a statement that "our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary." This required a common understanding of auditing standards within the profession, with the result that the Institute has from time to time, through the Committee on Auditing Procedure, issued statements which have presented auditing practices deemed acceptable with respect to a number of special phases which appeared to require publicity. Also, the Commission, by publishing its findings in specific cases and by making requirements for auditing in certain specific and controlled fields, has aided in establishing standards. But a very definite activity in the development of general auditing standards followed the McKesson & Robbins case, and will be dealt with later.

In somewhat the same manner, the Commission has had an influence on accounting practices. While the shift from subjective selection of principles to objective standards had been taking place for some time, the needs of the Commission gave it stimulus. For instance, the short form of auditors' report dealt with accepted accounting principles, later changed to generally accepted accounting principles. The term principles came to mean principles and practices, and the term generally accepted came to mean not just substantial practice, or even majority practice, but accepted by the best practice of the profession. Thus the propriety of an accounting procedure had to be tested against the best practice of others. The existence of a variety of practice for similar situations was, of course, well-known, and it had become common to make disclosure of unusual practices. The Commission early took the position that disclosure by footnote or otherwise was not sufficient unless the practice in question had substantial authoritative support. All of this had and still has a tendency to freeze practice and to make difficult the changing of practices and principles when necessary to keep accounting abreast of changing social and economic conditions and needs, since it imposed considerable risk for those who would initiate new procedures. It is in this field that the Committee on Accounting Procedure of the Institute has great usefulness and responsibility.

The third illustration of the influence of the Securities and Exchange Commission on objective standards is in the field of independence of accountants. There is some reason to believe that the term was used in the Securities Act of 1933 in a very general way to mean outside auditors. The Commission, however, has taken the term literally and has undertaken by rules and case decisions to set forth standards for determining when a public accountant is not independent, standards which in many of the manifestations have nothing to do with integrity or professional capacity.

One more point must be touched on at this time to indicate properly the pervasive influence of the Commission. In its proceedings on matters before it, it frequently makes decisions on accounting practices which will be acceptable to it for the proceeding in question, or finds it necessary for its own needs to narrow an area of difference of practice. Thus are born accounting rules or practices which are required to be followed for financial statements filed with it. These may be a presentation of a practice generally, but not universally, followed by the profession, they may be statements for guidance in new business conditions, or they may be preferences or biases of the Commission or its staff. It has happened that some of these rules are not accepted



by accountants in the area outside the jurisdiction of the Commission, and even within that area used under protest. The original tendency to go slowly, as noted by Dr. Sanders, has been somewhat modified.

At the beginning of 1939 the Securities and Exchange Commission was "hitting its stride," and its constant testing of auditing and accounting practice against standards has been an important influence on accounting practice since that date. Whether that influence is necessary or whether in the long run financial accounting will be the better for such governmental regulation is an academic question that need not be argued.

#### **The American Institute of Accountants**

At the same date, the American Institute of Accountants enlarged and activated its Committee on Accounting Procedure and gave it a research director and staff. It was a large committee of 21 representatives of various elements of public accounting practice and teachers of accounting, and it set up a requirement of a two-thirds majority before any statement could be issued as a formal pronouncement of the Committee. There were many reasons for establishing the Committee in this way, but perhaps two were most important. There was considerable variety of permissible and accepted practice on a large number of points, and it was obvious that such variety had to be reduced if the term generally accepted accounting principles was to have meaning. Secondly, if accounting were to continue to be progressive as needs changed, then the profession had a responsibility to suggest changes in generally accepted accounting principles, because it was obvious that the very term itself had a deterrent effect on a progress developed through trial and error in experience. The accomplishments of the Committee during the period since 1939 will be discussed later since the work of that Committee constitutes the most significant influence of the profession in the development of accounting during the period.

#### **The McKesson & Robbins Case**

There were indeed changing needs in accounting for financial reporting in 1938 that required the attention of the Committee, but before getting to that, it seems well to discuss the McKesson & Robbins case, and its effect on public accounting. Briefly, this case was one where an immense fraud was perpetrated, and a corporation looted, in spite of audits by a firm of certified public accountants of high standing, performed in accordance with normal auditing practices of the time. The corporation was so prominent, and the amounts so large that the public was literally stunned, and the resulting reaction was to question the entire value of auditing to society. The profession came through that experience stronger than before, but this was true in large measure because of its searching examination of its own practice, and of its willingness to tighten its own standards. The Institute by formal action definitely extended the standard auditing procedures and made mandatory certain independent outside verifications of assets even though there was reasonable assurance of accuracy to be obtained from the records. Particularly this applied to outside confirmation of accounts receivable and observation of the taking of inventory and inspection and testing of the recording of the physical quantities thereof, both of which had been extensively carried out in practice, but neither of which were mandatory if the auditor was otherwise satisfied. Failure to follow either procedure, no matter how well satisfied the auditor may be, requires an exception in his report to the following of normal standards of audit procedure. There was considerable minority opinion

that these extensions of standards were unnecessary and impracticable, but on the whole the procedures have been found to be practicable and desirable and not unduly expensive, and they are now thoroughly accepted as desirable standards. A further result of the Institute's examination of auditing procedures was a better understanding of the theory of test examinations based on studies and reviews of the internal accounting controls of corporations, and the acceptance of the test examination of transactions of the year in lieu of detailed checking of transactions. In auditing, therefore, in the last few years has come a better understanding of sound audit theory and procedures, and the enunciation of higher standards of normal procedure. This development has not been particularly a movement to establish rules, but rather to state new criteria against which the auditor must test his judgment. All this was an inevitable concomitant of the increased public responsibilities of the profession.

These responsibilities have increased, partly as a result of the increased public ownership of corporate securities, partly as a result of the increasing separation of ownership and management, partly because accounting as a common language of business has increasing need for sharper concepts and clearer meaning, and partly because of the increased interest in corporation operations as a part of the social and economic structure of the nation. By and large this increase in interest has been in the operations of business and in its profits or losses. The result has been a very significant change in the emphasis of corporate accounting from the Balance Sheet to the Income Statement. The Balance Sheet has many important uses of its own, and is an important part of financial reporting, but the great majority of public companies are well financed or are able to get financing as needed if income is good, so that the stockholder or other interested party concentrates his attention on earnings. The same thought is expressed in the leading article in the issue of *The Accountant* for July 27, 1946, wherein it is stated that "... it seems certain that the eye of the reader will no longer fall first, as now, on the balance sheet, but will be attracted to the revenue account as the true key to the assessment of efficiency." Mr. F. R. M. de Paula, in an article in the same issue of *The Accountant*, points to the same shift in interest. Thus the demands of society upon accounting are for greater clarity in the disclosure of earnings of the present, and for sharpened concepts of earning presentation in order that the efficiency of the business may be judged in the light of the business conditions of the year and in the light of comparison with other businesses operating in the same year.

There is a growing belief that accounting to be useful must present results of the past in such a way as to be helpful in appraising the future efficiency of the corporation being reported upon. Generally speaking, this influence is behind much of the accounting development of the past few years, and is the basic reason for the necessity of sharpening the concepts of accounting for income and of reducing the area of variety of practice which admittedly is too large on many points. Generally accepted accounting principles must move with the times and must represent as nearly as possible good accounting practice for the needs of the times. Thus the tendency to freeze practice which comes from the objective test of practice on the one hand, and the need for fluidity in practice on the other, seems to require some formal body within the profession to point the way for developments from past practice. This the Committee on Accounting Procedure is endeavouring to do. It also is something which the Securities and Exchange Commission is endeavouring to do; and the study of present



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accounting practices in relation to present needs is being undertaken in greater or less degree by all accounting societies, and probably, for their own field, by governmental regulatory bodies of all kinds.

In reviewing progress that has been made toward the twin objectives of reducing the area of variety of practice and sharpening the concepts of income to make financial accounting more responsive to the demands, the work of the Committee on Accounting Procedure and the

discussions arising in connection therewith can be selected as the best practicable means of dealing with the problems, a selection justified for purposes of this paper by the author's familiarity with the work of this committee. Even so, there will be no attempt to cover all problems, but merely to select a few which are believed to be illuminating in the consideration of recent developments.

*(To be concluded)*

## Plant Registers—With Special Reference to the Income Tax Act, 1945

By W. H. HIGGINBOTHAM, F.S.A.A., F.C.W.A.

It has long been common ground between accountants, economists and industrialists that the fiscal system of this country, whilst admitting in principle that the loss of capital value of machinery and plant resulting from "wear and tear" and obsolescence is properly the subject of allowance in assessing liability to taxation, operates unsatisfactorily and somewhat arbitrarily in practice. It is argued, for example, that there is a lack of uniformity in rates, and in application of scales of allowance; that too little attention is paid to the true facts of individual cases; and that, as compared with the practice of (say) the United States, the inadequacy of the allowances themselves (especially in periods of high taxation) places industry here at a great disadvantage and, quite possibly, leads to the retention of plant long after, in the interests of efficiency, it should be scrapped. This criticism is intensified in times like the present, where an abnormally high level of taxation is maintained whilst prices, and therefore costs of replacement, are rising steeply; and its force is increased in respect to many industries whose plant has suffered exceptional wear and tear during the war years—this probably much in excess of the various additional allowances granted since 1939.

The Income Tax Act, 1945, although it does much to meet these criticisms, still does not go far enough, in the opinion of many industrialists, and probably of accountants also; but if the benefit of its provisions is to be obtained, it is obvious that much more complete information as to the buildings, machinery and plant possessed by business concerns must be available, not only for the formulation of claims for allowance, but especially for production as supporting evidence where required. The "initial" and "balancing" allowances provided for by the Act are cases in point. Most practitioners, at one time or another, have experienced difficulty in ascertaining from financial accounts the details of cost and written-down values of individual machines or units of plant in respect to which claims for allowance were under negotiation; and much time and labour might have been saved in these cases, both in the formulation and settlement of such claims, had there existed an adequate detailed and continuous inventory of plant, properly interlocked with the financial accounts, and therefore with balance-sheet values.

Such an inventory is provided by a plant register,

the keeping of which has been the common practice of the larger industrial concerns for many years, although in far too many cases this has been done quite independently of the financial accounting.

### Purposes of a Plant Register

It is perhaps inevitable that the present abnormal burden of taxation tends to over-emphasise that aspect of the question of wear and tear of plant, to the neglect of other and equally important aspects. There is also a tendency to confuse "depreciation," in the sense of actual physical deterioration of plant, with the accounting provision made in terms of money to cover loss of capital value arising therefrom. It must be borne in mind that the most important purpose of a plant register is to assist in the maintenance and replacement of the plant to which it relates, by keeping it under continuous review, and by ensuring so far as possible that the periodical accounting provisions for depreciation are such in amount that at any given level of replacement cost or intensity of operation they will produce adequate funds for replacement out of the product of the plant whilst in use. This is a vital matter, in which the cost accountant, the auditor, and the industrialist are alike interested, as affecting not only current costs and selling prices on the one hand, but the continuity—even perhaps the survival—of business concerns on the other.

Assuming, therefore, that the need for a plant register is admitted, on whatever grounds, we must find common ground between the engineer, the accountant, the cost accountant and the Inland Revenue Department. There must be agreement on identity, basic value, continued existence, rate of deterioration (varied beneficially or otherwise by maintenance work or its neglect), and residual value at any given date. There must also be some means of varying the incidence of periodical financial provisions (i.e. "depreciation") to accord with price trends affecting cost of replacement; and finally, there must be means of reconciling the different bases and amounts of writing down for balance-sheet, cost accounting and Inland Revenue purposes.

It is too much to hope, perhaps, that Parliament will ever enact that depreciation provisions actually made in the accounts of individual tax-payers shall be accepted as the basis of taxation allowances; although the idea is worth exploring!



### Classification and Numbering

Identification of the plant is a matter of, first, classification, and second, location. The headings usually found in financial accounts should be amplified somewhat as follows:—

1. Land and buildings.
2. Roads, rails, sidings.
3. Fixed plant and machinery.
4. Transmission plant and equipment.
5. Transportation plant and equipment.
6. Loose plant and equipment.

In addition, accounts will probably be required for equipment peculiar to an industry, e.g. moulding boxes in foundries, die blocks, patterns, moulds, etc., which are the subject of annual revaluation rather than of fixed depreciation provisions. In the case of land, and buildings erected thereon, distinction will naturally be made between freehold and leasehold properties. The necessary discrimination between more and less permanent types of buildings will be made in the plant register itself. The sub-headings will need still further sub-division, for which purpose a detailed list or alphabetical "vocabulary" of machines and equipment likely to be employed will be required. This list should be further itemised by determination of representative classes of plant, e.g. metal-working tools (lathes, drillers, planers, shapers, etc.), process plant, such as furnaces of different kinds, transportation equipment, including cranes fixed and moveable, locomotives, etc., and transmission equipment not only for electrical and other supply services, but also to cover pipe-lines, as employed in chemical plants. When the list has been made sufficiently comprehensive, each item should be numbered consecutively, leaving gaps of course where desirable for the later inclusion of other typical machines or units.

Within any of these listed classifications there may be several individual machines; each of these will also be given a number for identification, and a combination of the two numbers (i.e. the register or inventory class number and the individual machine number) is usually affixed in some way, either by painting, by metal labels, or by fixed metal plates, to the machine itself. Thus, in one large works one might find such a mark on a machine as  $\frac{206}{0.52}$  identifying that machine as the fifty-second of the Precision Light Duty Direct-driven Capstan Lathe class in the general inventory.

It is impossible to give more than a very general indication here of what is required, but the procedure will be clear enough, it is thought, to readers with industrial experience, or to anyone familiar with engineering practice. Where punched card accounting is in operation, it is common to find that the various accounting headings are themselves numbered, and the inventory classification numbers are used as subdivisions; so that it is a comparatively simple matter to design a Hollerith or Powers card on which the essential information relative to any particular item of plant may be punched, the whole of the cards being later tabulated in a variety of ways, as may be required. The further application of this idea will appear later.

### Location

The next stage is that of identification of the plant with its location in the works. For this purpose, there will be required a master plan of the works on a fairly large scale, on which the various sub-divisions and departments are clearly indicated, together with the position of each fixed machine or major item of plant. If the works be large, separate plans for each department will be needed, with additional copies for indication thereon of such service equipment as electrical power and lighting installations, pipe lines, gas, water and other services, etc. Where, as is frequently the practice, "process" or "operation" groups are identifiable as part of the organisation of the works (i.e. where a complete unit or a number of like units, such as furnaces, converters, or machines of similar type are grouped together for production purposes) they are normally identified by either letter or numerical codification symbols, alone or in combination, e.g. 331 Drying, 332 Grinding and Mixing, 333 Conditioning, 334 Calcining. If, then, the areas allocated to such groups (or "locations") be marked on the appropriate plan, it is a simple matter to add to the plan the proper inventory identification numbers also, in so far as fixed plant is concerned; and in the case of both fixed and movable plant to insert in the plant register the appropriate location number or symbol against the description therein contained of each item or unit of plant.

The following extract from an actual accounting code of a large industrial concern will illustrate the general principle and the result aimed at:

#### FIXED PLANT—MECHANICAL AND PROCESS.

##### ACCOUNT NO. 81.

Location No. /81/065	Condensers—Benzol.
Location No. /81/066	Condensers—Evaporating.
Location No. /81/074	Conveyers—Band.
Location No. /81/095	Curving Machines.
Location No. /81/117	Dryers—Sulphate.
Location No. /81/210	Hammers—Pneumatic.
Location No. /81/483	Turbo—Blowers.

##### PIPE TRANSMISSION. ACCOUNT NO. 82.

Location No. /82/012	Gas Mains.
Location No. /82/017	Pipe Lines—Hydraulics.

(Whilst such a code is in operation, the appropriate location number, previously referred to, is inserted, as indicated, on the left.)

Connection between machines or plant units, their accounting classification or inventory identity, and their situation in the works being now possible, we proceed to register these so that they may be finally established and recorded in the plant inventory. It is usual in making such an inventory to follow through each department, process by process, in their usual production or service sequence; and to list the plant in that order, taking first fixed mechanical or electrical equipment, thereafter ancillary power or service equipment, and distinguishing between such equipment serving only one group or section (in which case it is listed at the end of that group) and similar equipment common to several such groups or even to a department as a whole. Adequate technical descriptions should in all cases be given, together with particulars of auxiliary equipment or parts peculiar to a machine or unit; and, where necessary, reference



abstracted under the various account numbers, and brought into agreement with the balance-sheet figures, necessary adjustments being made from year to year in respect of depreciation provisions, modifications, disposals, etc. This is a normal accounting procedure which requires no explanation here.

### Supplementary Records

Reference has already been made to punched card accounting systems, and it will be obvious that in addition to the plant register other records will be required. For example, it will be necessary in the case of each item to maintain, for income tax purposes, a record of the value at which it is brought into allowance initially, and the effect of the various allowances obtained from time to time on that value, since these allowances are made, other than initially, on the written-down values. If, as is probable, the straight line method of depreciation is adopted in the accounting system of the business, there will naturally be considerable discrepancy between the figures obtained by the two methods. It is suggested, therefore, that a card register should be set up parallel with the main plant register, each card giving a brief description of the individual machine or plant unit, the inventory account and sub-numbers, the year of installation, and the value on which taxation allowance is to be based, and thereafter, year by year, the rate and amount of such taxation allowances and the diminished values brought forward to the next fiscal period. The use of Hollerith or Powers punched cards for this purpose will greatly simplify the necessary work, and will ensure that any unclaimed allowances due at the date of scrapping or disposal of the plant will not be overlooked.

It will also be desirable, apart altogether from taxation questions, to maintain, again in parallel, a card register, similarly identifying the items with their positions and classifications in the plant register, these being arranged either in accordance with the plant classification under the various accounting headings already described; or, as may be considered perhaps more desirable, according to the location of the items of plant in the works. These cards (8 ins. by 5 ins. is a convenient size) may be used to record changes in location, replacements and renewals, modifications and alterations, exceptional maintenance costs, and so on. Where punched cards are used, and the appropriate annual amount of depreciation for each machine or unit is recorded, it becomes an easy matter to summarise and to allocate depreciation charges to their proper points in the works accounting system.

### Depreciation and Renewals

The question of modification of annual depreciation provisions has already been touched on. The value of an industrial plant is its value in use; its replacement, and the cost of that replacement, is therefore a matter of vital importance. The balance-sheets of many companies to-day indicate quite clearly that the book values of the fixed assets are far below either their value in use or their present-day replacement cost; and from time to time the financial Press comments on this as an element of strength. But it

has happened frequently in times past, particularly where annual depreciation provisions have been made on a diminishing value basis, that the prudence of earlier years has been neutralised in consequence by the making of an unduly low charge against current profits to provide for future inevitable renewals. Even where the straight line method of depreciation is employed, it is no more than an estimate; the incidence of deterioration is unequal as between year and year, and, apart from physical conditions, the sufficiency of annual depreciation provisions may be seriously disturbed by rising price trends. It is therefore desirable that, as a matter of financial and industrial policy, comparison should be made at regular intervals between the inventory values and "normal" rates of depreciation, and the rates prospectively required to cover replacement at higher prices, so far as this may be possible within the residual life of the plant. This will involve an analysis, or abstract, of the fixed asset accounts, as between different years of installation, and the adjustment of "normal" rates of depreciation provision thereafter, by comparison with various indexes of changing price levels (of which there are a number nowadays available), so that the amount of additional provision to be made out of the profits of a given year may be determined, and, if thought desirable, given effect to in the accounts.

One of the very important values of a plant register and inventory of the type here described is that fire and other insurance values may be determined much more easily. During the war, for example, it was obvious that provision for war damage insurance based on book values would in the majority of cases have been totally inadequate; but the ascertainment of a satisfactory alternative basis was in many cases a matter of extreme difficulty. Those concerns which had already in existence adequate records of the kind here described were able not only to determine with reasonable accuracy the amount for which cover was required, but also had the satisfaction of knowing that their fire insurance provisions were on a proper footing. In a large industrial concern the register has an important part in the work of the maintenance staff and in determination of policy in respect to both maintenance and obsolescence.

The necessarily brief description here given is not intended to be more than an outline, but it is hoped that it is a sufficient indication of the value of adequate plant records, not only to the large business, but to the smaller one also, as conducive to greater manufacturing efficiency.

### Books Received

**Professional Ethics of Public Accountancy.** By John L. Carey. (American Institute of Accountants, 13, East 41st Street, New York 17, N.Y., U.S.A. Price \$2.00) (*To be reviewed.*)

**The Death Duties.** By G. M. Green, LL.B., Solicitor, of the Estate Duty Office. Second edition. [Butterworth & Co. (Publishers) Ltd., London. Price £2 12s. 6d. net.]



# The Companies Bill

*Below is a brief summary of the main provisions of the Companies Bill. References to Sections are to the Companies Act, 1929. The Bill follows closely the recommendations of the Cohen Committee; references to the relevant passages of the Committee's Report are given after each part of the summary.*

## Part I.—Management and Administration.

### Clauses 1-7. Meetings.

The rights of shareholders are strengthened in regard to notices of meetings, demanding a poll, and proxies. The company may be required to circulate certain notices and statements on the requisition of a specified number of members.

Report, pars. 129-135.

### Clauses 8-10. Minorities.

On a complaint of oppressive conduct of a company's affairs, the Court may impose a settlement without winding-up. Greater safeguards are provided where 90 per cent. of a company's shares are acquired by another company.

Report, pars. 60, 138, 141, 152.

### Clauses 11-17. Accounts and Audit.

Accounts must give a true and fair view of a company's affairs, and of profit or loss for the year.

Consolidated accounts are compulsory except where directors consider it impracticable or misleading for a subsidiary to be included.

The contents of the balance sheet and profit and loss account are specified in some detail in the First Schedule to the Bill.

The definition of a subsidiary company is extended, and includes a sub-subsidiary.

The profit and loss account and consolidated accounts must be signed and circulated with the balance sheet, and the auditors must report on them.

Private companies must send out their accounts and auditors' reports in the same way as public companies.

The auditors' report must include all the matters set out in the Second Schedule. They are required to state whether proper books of account have been kept, and whether the balance sheet and profit and loss account give a true and fair view. If a subsidiary is excluded from consolidation, they must give an opinion whether the reasons for exclusion are satisfactory.

A person appointed auditor must be a member of a body of accountants established in Great Britain and recognised by the Board of Trade, or a person authorised by the Board as having similar overseas qualifications, or as having practised in Great Britain as an accountant before July 18, 1945.

A partner or employee of an officer or any servant of the company may not be appointed auditor. This provision is extended to private companies.

A retiring auditor is automatically reappointed if no action is taken in the matter. Longer notice is required of a resolution relating to appointment of auditors, and any representations by a retiring auditor must be communicated to the members.

Report, pars. 54, 100-4, 106-114, 117-122.

### Clauses 18-33. Directors and Secretary.

Every company must have a secretary.

A company may by ordinary resolution remove any director, except a life director of a private company so appointed before July 18, 1945.

Except in a private company, no person aged over 70 may be appointed or reappointed director except by special resolution.

Certain fraudulent persons may be disqualified for five years from managing a company.

Restrictions are imposed on payments and loans to directors.

Full disclosure is required of directors' shareholdings

and of all their financial relations with the company.

Report, pars. 87-90, 92-95, 130-1, 140, 150, 174.

### Clauses 34-38. Investigations.

Extended powers are given where inspectors are appointed by the Board of Trade. The Board is given wider powers to appoint inspectors and to take action on their report.

Report, pars. 84, 85, 156-161.

### Clauses 39-44. Register of Members and Annual Return.

A register of members compiled by an agent may be kept at his office.

Requirements relating to the annual return are revised.

A private company's exemption from obligation to include its balance sheet, etc., is subject to conditions relating to control.

Report, pars. 53, 73, 74.

### Clauses 45-47. Registered Office and Name.

A registered office must be notified within fourteen (instead of twenty-eight) days.

A company must register under the Registration of Business Names Act, 1916, if it carries on business under any other than its corporate name.

Report, par. 172.

## Part II.—Share Capital and Debentures.

### Clauses 48, 49. Allotment.

Shares or debentures may not be allotted before the third working day after publication of the prospectus. If permission to deal is refused by a stock exchange within three weeks, money subscribed is to be returned.

Report, pars. 20, 27, 28.

### Clauses 50-56. Prospectus.

A revised list is given of matters to be included in a prospectus.

The reports by auditors and accountants on the company and any business to be purchased are to cover five years, and to include assets and liabilities as shown in the last balance sheet, as well as profits or losses. Subsidiaries must be included with the holding company.

A statement by an expert can only be included by his written consent, and he then incurs liability under Section 37 (1) to compensate subscribers if the statement is untrue.

Report, pars. 22, 25, 27, 29-38, 40-45;  
Page 22, Recommendation VII.

### Clauses 57-62. Nominee Shareholdings.

A register of share ownership is to be kept and to be open to inspection with the register of members.

A person who has a right to dispose of or vote in respect of shares, or to control the exercise of these rights by another, must notify the company of his ownership if the shares amount to 1 per cent. of the company's issued share capital or of any class of shares and include some of which he is not the registered holder.

Report, pars. 82, 83.

### Clauses 63-65. Other provisions as to Shares.

Any premium payable on redemption of redeemable preference shares must be provided out of profits, whether or not a fresh issue is made.

A premium received on the issue of shares is to be transferred to "the share premium account," and the provisions relating to reduction of share capital apply to this account.

The prohibition of financial assistance by a company for the purchase of its own shares is extended to the purchase of shares in its holding company.

Report, pars. 108, 170, 171.

*Clauses 66, 67. Special provisions as to Debentures.*

Any person may inspect the register of debenture holders on payment of 1s.

A trustee for debenture holders cannot be exempted from liability for breach of trust or from the duty of showing due care and diligence.

Report, pars. 64, 75.

### **Part III.—Constitution of Companies and matters incidental thereto.**

*Clauses 68 to 72.*

No company shall be registered by a name which in the opinion of the Board of Trade is undesirable.

A subsidiary may not become a member of its holding company.

The power of the Board of Trade to dispense with the word "Limited" in the name of a new company not for profit is extended to a change of name of an existing company.

Report, pars. 14-16, 169, 170.

### **Part IV.—Enforcement and Registration of Charges.**

*Clauses 73-78.*

An undischarged bankrupt may not act as receiver or manager for debenture holders.

A receiver or manager must send a statement of affairs by the company and his comments thereon to the registrar and the court. His comments must also be sent to the company, and a summary of the statement to the debenture holders. He must circulate an abstract of his receipts and payments at the end of each year, and when he ceases to act.

The requirement in Section 79 (2) (d) to register charges on land is not to a charge for rent.

Report, pars. 66-69.

### **Part V.—Winding Up.**

*Clauses 79-88.*

The court may make a winding-up order on the ground that it is just and equitable, even if the petitioners have an alternative remedy, unless it considers their request unreasonable.

Preferential payments of wages or salary to a clerk or servant and to a workman or labourer are equalised at £100 in respect of four months.

The periods before the winding-up of acts void as fraudulent preferences, or of floating charges which

may be invalidated, are doubled to six and twelve months respectively.

A directors' declaration of solvency under Section 230 must embody a statement of assets and liabilities. A director making the declaration is liable to penalties if the debts are not paid in full within the period stated, unless he can show that he had reasonable grounds for making it.

If the liquidator in a members' winding-up forms the opinion that the declaration will not be fulfilled, meetings of creditors must be held.

The audited accounts of a liquidator in a compulsory winding-up in England are to be subject to inspection by any person on payment of a fee.

The liability of directors under Section 275 in respect of fraudulent trading is extended to other persons.

Report, pars. 60, 144-9, 151-3.

### **Part VI.—Offences and Legal Proceedings.**

*Clauses 89-92.*

Report, pars. 164, 166, 168.

### **Part VII.—Companies not registered under Principal Act.**

*Clauses 93-100.*

Certain provisions of the Bill are applied to unregistered companies and foreign companies.

Report, pars. 40, 172, 174, 177.

### **Part VIII.—Amendments, etc., of Acts other than Principal Act.**

*Clauses 101-4.*

The provisions relating to preferential payments and fraudulent preferences in winding-up are extended to bankruptcy law.

The Registrar of Business Names may refuse to register a name which is in his opinion undesirable.

The Prevention of Fraud (Investments) Act, 1939, is amended in relation to unit trusts. The Board of Trade may appoint inspectors to investigate any unit trust.

Report, pars. 146-7.

### **Part IX.—General.**

*Clauses 105-9.*

Loose-leaf and card registers, minute books, and accounts are legalised, subject to adequate safeguards.

The First Schedule, relating to the contents of the balance sheet and profit and loss account and consolidated accounts, may be varied by regulations of the Board of Trade.

Report, pars. 104, 173.

## **TAXATION**

## **1946 in Retrospect**

Experience in talking with accountants all over the country shows that, despite the return of members of their staffs, the pressure of work is worse, probably, than at any time in recent years. One result is increasing difficulty in keeping abreast of developments.

In this article, it is therefore proposed to review 1946 from the taxation aspect, as it is a historical year in many respects.

In legislation, the high lights were :

- (1) The coming into force of the Income Tax Act, 1945, on April 6, 1946. This has given rise to many problems, not the least that of arriving at the amount of capital expenditure on industrial buildings in the last 50 years. No satisfactory solution has yet been announced as a means of compromise where the exact figures are not available, as appears to be usually the case.

- (2) The first reduction in the rate of income tax since 1934. The increased allowances have also taken out of direct taxation a large number of wage-earners, thus lightening the burden on the Revenue machinery.
- (3) The ending of E.P.T. on December 31, 1946. While it will be some years before all assessments can be agreed—the terminal adjustments alone make this unavoidable—the release from this burden in future is most welcome.
- (4) The announcement of the appointed day for the termination of exceptional depreciation—December 31, 1946—will enable the computations on this ground to be settled.
- (5) The first repayments of post-war credits—to old people only—but a start. In this connection, the practice of setting under-payments of tax



under P.A.Y.E. against the post-war credits for 1945-46—a practice wholly without statutory authority—does, in effect, give a repayment to those concerned.

- (6) The ending of surtax benefits in connection with covenants in favour of charities, employees, etc., where the covenant is dated after April 9, 1946.
- (7) The agreements that are being made for double taxation relief with the Dominions, on the same lines as that with the U.S.A.
- (8) The exemption of estates up to £2,000 from estate duty, coupled with the increased rates for estates over £12,500.
- (9) The extension of the statutory period within which gifts *inter vivos* are caught for estate duty from three years to five years (with a transitional provision gradually extending the period so that gifts before April 10, 1943, are still exempt).
- (10) The abolition of income tax assessors.

### Decisions of the Court

It may also be useful to review, in outline, the more interesting cases that have gone before the Courts during the year.

Bad debts recovered were the subject matter of *William Dickinson & Co. v. Bristow* (1946, T.R. 1), where the Court of Appeal held that a debt recovered must be brought into credit in the year of recovery. In view of the importance of the decision, leave was given to appeal to the House of Lords.

In *W. S. Try v. Johnson* (1946, T.R. 13), the receipt by a land development company of compensation for prevention of ribbon development was held to be a trading receipt.

Directors' remuneration, voted at the general meeting held after the end of the accounting period and after the end of the year of assessment, is properly assessed as accruing over the accounting period for which it is payable (*Dracup v. Radcliffe* (1946, T.R. 49)).

The valuation of opening stock came up in *Craddock v. Zevo Finance Co.* (1946, T.R. 61), where the Crown sought to substitute for their cost price the market values of shares bought to open trading. The shares were bought in a reconstruction. The House of Lords affirmed that the cost price was the proper figure to bring into the computations.

A working proprietor, to qualify as such, must work full time for over half the chargeable accounting period. To have worked in a seasonal business all the days of the week for 160 days (which is more than half the ordinary working days in a year) does not qualify (*Wilkie, Neck & Smith v. C.I.R.* (1946, T.R. 187)).

In *C.I.R. v. Spirax Manufacturing Co.* (1946, T.R. 221), the question arose whether part of a business had been transferred. The facts should be examined, but the main point in the decision was that it was held that the Special Commissioners were entitled to look at the substance of the matter; an organisation had been handed over and was carrying on in precisely the same way as before.

"Money not required for the purposes of the business" is a question of fact. In *Thomas Roberts (Westminster) v. C.I.R.* (1946, T.R. 251), the General Commissioners increased the amount allowable by £5,000 and the Court upheld their decision as one of fact.

A most important principle was laid down in *Rushden Heel Co. v. C.I.R.* (1946, T.R. 273), and *Smith's Potato Estates v. Ballard*; *Smith's Potato Crisps v. C.I.R.* (1946, T.R. 283), where costs of E.P.T. appeals were held to be allowable deductions in computing the profits.

The principles deciding whether patent royalties are investment income were discussed in *C.I.R. v. Tootal*

*Broadhurst Lee Co.* (1946, T.R. 289). The judgment should be read. (See also *C.I.R. v. Rustproof Metal Window Co.*, (1946, T.R. 315)).

Rent from an under-lease of redundant premises is investment income (*C.I.R. v. Broadway Car Co.* (1946, T.R. 399)).

It was held in *Neild v. C.I.R.* (1946, T.R. 371) that in a "mixed" business, professional earnings can be deducted from the profits. More is likely to be heard of this case.

In *re Arno* (1946, T.R. 385), it was decided that where a testator bequeathed an annuity free of tax up to 5s. in the £, the annuitant was entitled to keep the whole of any reliefs; *re Pettitt* (1922, 2 Ch. 765) did not apply.

Another case on lump sum payments—this time to terminate oral service agreements—was *Hose v. Warwick* (1946, T.R. 227), where the consideration was held to be capital. These cases need careful study before quoting them on different facts. In *Carter v. Wadman* (1946, T.R. 255) the value of the right to receive remuneration in the future was capital.

Wear and tear allowance was refused on the price paid on a sale of lorries by the taxpayer to his brother for £1,500 and resale back at £15,000, on the grounds that neither transaction ever took place; the transactions were intended really not to have any legal effect (*Kirby v. Steele* (1946, T.R. 267)). Section 59, Income Tax Act, 1945, will stop any such attempts in future.

For the "free of tax" limitations of s. 25, Finance Act, 1941, the provision in a deed or other instrument made before September 3, 1939, and not varied on or after that date, is the operative part of the restrictions. In *re Berkeley* (1946, T.R. 293) it was held that a will takes effect from the date of death, and as this was after 1939, the section did not apply.

*Spencer v. Robson* (1946, T.R. 169) reaffirmed the principle that a sum payable to a divorced wife under Court order in the divorce suit for the maintenance of the children is income of the wife for tax purposes.

### E.P.T. Cases

In computing capital, a debt (owing by the taxpayer) cannot be included as a liability unless it is a real debt existing at the time it is sought to deduct it. The debt must be due, *i.e.*, it must be a legal obligation. It is not permissible to treat as an accruing liability a payment which, in the accounting period in question, the business was not in law bound to make. That is so, even if it has to be written back into the year in question as a deduction from profits. These interpretations arise out of *Northern Aluminium Co. v. C.I.R.* (1946, T.R. 25), where a sum repaid to a Government department in 1943 was allowed as a deduction in the 1941 accounts. The Crown sought to deduct it from capital at January 1, 1941, but the Court of Appeal regarded the claim as conditional and not legally due until agreement was reached in 1942. The difference in treatment for profits and capital is noteworthy.

Cases under Section 35, Finance Act, 1941 (as amended by Section 33, Finance Act, 1944) show that there is little prospect of getting the Courts to overrule a decision of the Special Commissioners. Directions under the section deal with matters of fact and degree, on which the Commissioners are entitled to form a conclusive opinion. The facts in each case are usually too individual to be of any assistance in others (see *Crown Bedding Co. and anor. v. C.I.R.* (1946, T.R. 33); *Ingham & Johnson v. C.I.R.* (1946, T.R. 247); *E. V. Saxton & Sons v. C.I.R.* (1946, T.R. 261); etc., and *Marshall Castings v. C.I.R.* (1946, T.R. 191), where it was held



that only benefits to the taxpayer in question can be considered). That a lump sum payment to a superannuation fund does not create an asset to be included in capital employed was briefly the decision in *Lever Bros. & Unilever v. C.I.R.* (1946, T.R. 75).

The "whisky dealing" cases came before the Courts

during the year. These are a past phase and raise no points likely to be of future interest.

As usual, there have been cases under Section 21, Finance Act, 1922, dealing with undistributed profits of controlled companies, but these do not appear to lay down any new principles.

## Taxation Notes

### Keeping Pace

The coming of peace has been looked forward to by all accountants as a time when staff would again be available and some relaxation of the strain and worry and rush of the war years could be expected. What has actually happened? Although staff has returned from the Forces, there are still gaps that in most cases it seems impossible to fill. Reports from all over the country show that far from there being any easing off, the strain in accountants' offices is, if anything, worse than ever.

With his days so full, and his nights too in most cases, how is the busy accountant to keep pace with the spate of legislation that pours from the legislature, and with the decisions of the Courts and developments in practice? It is not enough to read new Acts; where taxation is concerned, they must be studied, and often discussed, before even a passing acquaintance with their provisions can be claimed.

In these circumstances, it is more than ever necessary regularly to read ACCOUNTANCY, in the columns of which the "meat" of all new developments is served up "red-hot" to the best of our ability. Space does not permit, however, of a report of every new tax case decision, and it is recommended that a subscription be made to the "Taxation Reports," the quickest means of keeping abreast of the decisions.

We should like to see more discussion meetings of the District Societies to exchange information. A series of ten-minute talks to give others the benefit of experiences; questionnaire meetings, and similar occasions can well take place regularly. And time should be found to attend all such meetings. An occasional visit from one District to another would also be useful. These suggestions need not detract from the lectures that are "laid on"; the benefit of listening to the words of a specialist dealing with developments as they occur is only a phase of the same suggestions. In all cases, the discussion following such meetings usually teaches even the lecturer something; indeed, most lecturers will admit that the discussion can be the most valuable part of the meeting.

### Computations

With so many returning again to practice, it may not be out of place to remind them that when accounts are sent in to the Inspector of Taxes, they ought to be accompanied by—

- (1) A detailed analysis of all items of which the Inspector must have information in order that he may consider the accounts properly, e.g., repairs, sundry expenses, subscriptions, etc. Particularly must his attention be drawn to any item which is at all debateable or doubtful as a deduction.

- (2) A computation of the liability based on the accounts.

In far too many cases in this country is the Inspector left to do the computations. Particularly has this been so in the case of E.P.T. This is not in the interest either of the client or of the accountant. Acting without the information at the disposal of the accountant, the

Inspector cannot approach the computation in the same way. While this sometimes results in items being allowed that should not, it is more likely to operate the other way! Both are wrong. The correct liability is the figure in view, and both sides must try to arrive at it.

### These Notes

The writer of these notes has been at the helm all through the war. He is steeped in taxation and its developments. He would like to hear from those who have been away from it as to the points on which they would like him to write. It is not easy to keep bringing fresh topics out of the hat, and it is his constant desire to be of service to his readers.

### Double Taxation Relief

The difference in the methods of arriving at the relief under the various double taxation agreements is worthy of note.

Under the 1920 Act, Dominion Tax Relief is given at the Dominion rate of tax or at half the appropriate U.K. rate, whichever is the lower. The appropriate rate here is found by dividing the tax payable by the taxable income, and adding the rate found by dividing the sur-tax of the previous year by the total income of that year.

In the case of the arrangement with Éire, the relief is at half the lower of the Éireann and U.K. appropriate rates, which are found by dividing the tax payable by the total income, and adding the rate of sur-tax, which is that for the same year and found by dividing the tax by the total income.

The credits under the Finance (No. 2) Act, 1945, are limited to tax at the appropriate rate, which is found by taking the sum of (a) tax payable divided by total income, and (b) (where sur-tax is to be relieved as well) sur-tax payable (same year) divided by total income.

In all cases, the tax payable in the above statements is the amount before deducting life assurance relief or Dominion tax relief.

#### Illustration, 1946-47

	Dominion Income Tax Relief, Old Style	Agreement with Éire	Tax Credit under New Agreements
Total Income ...	£ 3,000	£ 3,000	£ 3,000
Allowances... ..	600	600	600
Taxable Income ...	2,400	2,400	2,400
Income Tax:			
£50 at 3s. ...	£7 10 0		
£75 at 6s. ...	22 10 0		
2,275 at 9s ...	1,023 15 0		
	1,053 15 0	1,053 15 0	1,053 15 0
Sur-tax:			
On 1945-46 Income ...	£4,000		
Sur-Tax ... ..	£268 15 0		
On 1946-47 Income	£3,000	112 10 0	112 10 0

*Appropriate Rate:*

$$\frac{1,053.75}{2,400} + \frac{268.75}{4,000} = 10\frac{1}{4}\%, \quad \frac{1,053.75}{3,000} + \frac{112.5}{3,000} = 7\frac{2}{3}\% \text{ As for Éire.}$$

Relief cannot exceed

tax at ... 5/0 $\frac{1}{2}$  3/10-65 7/9-3**Post-War Refunds**

It is understood to be the official view, with which we agree, that E.P.T. refunded to the employer by an employee, etc., on remuneration disallowed by reason of Section 32, Finance Act, 1940 (see Section 34, Finance Act, 1941) cannot rank for post-war refund under the Finance (No. 2) Act, 1945.

## Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

*Income Tax—Settlement—Appeal to Special Commissioners—Case stated at request of appellant—Contention in High Court that amount assessed excessive even if Section 38 of F.A. 1938 applicable—Determination of Special Commissioners held to be right in general principle, but case remitted to them to consider question of amount—Case heard and dissatisfaction expressed by Crown but not by appellant—Demand for case by appellant 10 months after decision—Supplemental case stated—Whether valid—I.T. Act, 1918, Section 149—F.A. 1938, Section 38.*

The case of *Burston v. C.I.R.* (C.A., October 29, 1946, T.R. 391), was noted in our issue of September, 1945. The question was whether, as appellants' notice demanding a case to be stated had not been made within 21 days of the Special Commissioners' decision, the latter had any jurisdiction to state a supplementary case. Macnaghten, J., had held that they had not; and a unanimous but far less confident Court of Appeal affirmed his decision, Scott, L.J., admitting that his mind had "wavered during the argument."

Under Section 149 (2) of I.T. Act, 1918, it is provided:

- (a) The High Court shall hear and determine any question of law arising on the case, and shall reverse, affirm, or amend the determination in respect of which the case has been stated, or shall remit the matter to the commissioners with the opinion of the Court thereon, or may make such other order in relation to the matter as to the Court may seem fit.
- (b) The High Court may cause the case to be sent back for amendment, and thereupon the case shall be amended accordingly, and judgment shall be delivered after it has been amended.

The order made by Lawrence, J., after holding that the determination of the Special Commissioners had been correct, went on:

"And it is ordered by the Court that the said case be remitted to the said commissioners for them to consider the question of a reduction of the amount of the assessment on the ground that the appellant may not have an interest in the whole of the income from the trust company."

The costs of the first hearing in the High Court and of the further hearing by the Special Commissioners were to be paid by the appellant "in any event."

The question the Court had to decide was whether the order by Lawrence, J., came within Sub-section 2 (a) or Sub-section 2 (b). For the appellant it was contended that the Commissioners had to find the necessary facts and after stating the question of law raised, return the result to the Court for judgment. In other words, Sub-section 2 (b) applied, and the Commissioners could not be required to state a case, the words "in any event" as regards costs being quoted as supporting this view, although the Court held them to be neutral.

In the course of the judgments, the order made by the Court of Appeal in Northern Ireland and affirmed

by the House of Lords in *Edwards v. Old Bushmills Distillery Co., Ltd.* (1926, 10 T.C. 285), was cited as a good example of a case under Section 149 (2) (a), whilst the order of the House of Lords in *C.I.R. v. Langrange Trust and Investment Co., Ltd.* (1946, 25 A.T.C. 107) was given as an example in appropriate language of the use of Section 149 (2) (b). The difference between the two methods is set out in the judgment of Cave, L.C., in the former case at pp. 299-300 of the T.C. report.

The Court was unanimous that the case fell within 149 (2) (a) rather than within 149 (2) (b), and being of opinion that the issue arose solely by reason of the peculiar wording of the order by Lawrence, J., it refused leave to appeal further. One interesting point emerged during the hearing. As mentioned in the judgment of Tucker, L.J., the Income Tax Acts make no mention of "supplemental cases"; but the practice has grown up of so calling the further facts found in response to a request or order of the Court.

*Excess Profits Tax—Investment income—Under-lease of redundant premises—Whether rent thereunder investment income—Finance (No. 2) Act, 1939, Section 14 (1); 7th Schedule, Part I, para. 6 (2).*

*The Broadway Car Company (Wimbledon), Ltd. v. C.I.R.* (C.A., November 6, 1946, T.R. 399), was noted in our December issue. It was a case where part of leased premises was no longer required by the lessee owing to diminution of business. Macnaghten, J., had found no difficulty in holding that *C.I.R. v. Desoutter Brothers, Ltd.* (1945, T.R. 341, noted in our issue of April, 1946) governed the matter and that the under-lease was not an "investment" in the "popular sense" (Master of the Rolls) or "current vernacular," (Mackinnon, L.J.). A unanimous Court of Appeal found no difficulty whatever in arriving at an absolutely contrary conclusion. Scott, L.J., found the original decision by the Commissioners unassailable in the light of the *Desoutter* case; but Tucker, L.J., and Cohen, L.J., found that case of but limited assistance. All agreed that the Commissioners had made no mistake of law and that there was evidence upon which they could reach the conclusion to which they came. In fine the word "investment" has to be construed in the ordinary sense of the word as used by business men.

The decision will probably be of considerable advantage to the taxpayer. At the same time, it is open to legitimate doubt whether any business man in the case of an onerous lease of premises found unsuitable and sublet at a lower rent would regard the sub-lease as an "investment." He would probably use a much less flattering term.

The Chancellor of the Exchequer proposes that value payments under the War Damage Act shall be made during 1947. He has asked the War Damage Commission to consider urgently, under section 11 of the Act, whether there should be an increase in these payments.



**FINANCE****The Month in the City****Dwindling Yield Basis**

The active markets of the past month have owed nothing to any revision of views about the economic prospects of this country and of the United States. Rather they have marked the investor's response to the uncomfortable facts of ever cheaper money and of the threatened cut in the income of railway stockholders (two topics which are discussed more fully below). According to the calculations of the chart-readers, the fact that the *Financial Times* ordinary share index has broken through its previous "high" ought to establish a firm "bull" market. (Incidentally, the difference between market comment to-day and three months ago, when the index stood at 118 and the prophets of gloom were vocal, is very marked.) During the past month the index rose from 130.5 on November 20 to 134.2 on December 6 where it stayed unchanged for several days. The recent recovery in the level of industrial equities has not been accompanied by any decline in their average yield, owing to increases in dividends on many leading shares, but the search for yield continues to drive down the returns obtainable on good class debentures and preference shares whenever these are available—which is not always—in the market. A very active month in the new issue market has made no perceptible difference to the general basis of security values, though it has sometimes been noticeable that some of the heavily over-subscribed issues have failed, when dealings began, to register any dramatic premium, or even a premium at all. The commencement of the new system of cash dealings for the account mid-way through the month brought some increase in interest but not on a scale sufficient to suggest that speculative activity had been greatly encouraged by the new arrangements.

**The Rail Compensation Terms**

An action without precedent was taken by the Stock Exchange Council in their representations to the Government objecting to the choice of Stock Exchange quotations as a basis of compensation for nationalisation of the railways. The Council emphasised that quotations are not directly related to asset values or earnings and that these cannot form "a fair and equitable or a rational basis of compensation." They pointed out that these quotations are based on the actions and opinions of investors, resulting from "hope, fear, guesswork, intelligent or otherwise, good or bad investment policy, and many other considerations." Again they may be moved, often materially, by transactions in only a small proportion of any given issue—which, as shown in a Professional Note on page 1, is almost certainly true of the compensation datum period. These considerations left the Chancellor of the Exchequer quite unmoved. He justified the compensation terms on the ground that the State was acquiring "a pretty poor bag of physical assets." On the income side, he suggested that the "elimination of risk" from railway stocks justified the prospective fall in the income of stockholders from £40 million to £22½ million. And finally, in a confusion of redemption yields with cash coupons, he tried to demonstrate that there was a bonus in the compensation terms for the unfortunate holders of London Transport 3 per cent. stock who have hitherto presumed that they were protected by Treasury guarantee. The debate failed to rebut any of the real criticisms of the compensation terms.

**Cheap Money Developments**

Mr. Dalton has announced that the result of the conversion offer to holders of 3 per cent. Local Loans into the new 2½ per cent. Treasury Stock (redeemable at Government option after 1975) is "very satisfactory and well up to expectations." Of the total issue of £429 million, holders of £304 million converted; when the Chancellor made his announcement, the 2½ per cent. "tap" loan had produced £120 million, which encouraged the Chancellor to claim that "he was almost home," and to serve the usual notice that the tap would not remain open much longer. There was little evidence, however, on this occasion that investors were likely to tumble into the new loan as a last chance before something even cheaper was offered, and subscriptions in the following week only amounted to £20.6 million. Nor did the Chancellor have anything to say on the further progress of the cheap money drive—which was perhaps discreet, since of the converting applications it is probable that something like £250 million were under the direct control of the Treasury. Meanwhile the level of bank deposits—which is nowadays very closely related to the Treasury operations in the gilt-edged market—showed a further, and surprisingly large, expansion in November. But Mr. Dalton has given no hint—indeed, he is not in a tactical position so to do—that he intends to relent in his pressure towards ever cheaper money. Instead, the authorities have screwed up the price of the Ayr conversion loan to par—half a point dearer than the Bristol 2½ per cent. loan—and have extended its life by three years to 1970-75. If investors are determined to have dated stocks, the authorities are evidently determined to make them pay for them. The Ayr issue consolidates in the most striking way possible the 2½ per cent. interest basis. There is in fact no material difference, in these new terms, between local authority and British Government credit.

**The Companies Bill and the City**

A general welcome has been given in the City to the new Companies Bill, which follows so closely the recommendations of the Cohen Committee. That the reforms in company accounts will enable investors to assess the efficiency of their directors and to invest their savings to the best advantage to the community cannot be doubted. There are, however, one or two technical points which are of particular interest from the City point of view. Among these, the requirement that all applications for new issues will have to be made "firm" will rule out that least desirable member of the Stock Exchange zoo, the "stag." Further, application money will be returnable if, within a maximum period of three weeks, the company has been refused permission to deal on a Stock Exchange. There is general recognition, too, that the full disclosure of directors' remuneration is a salutary step, particularly as it is coupled with the ban on all new contracts providing for tax-free payments. Indeed, the average investor will enjoy a much stronger position against the average board of directors; it will be easier to bring criticism to bear either by the shareholder in person, or through a professional adviser acting as proxy. It must be hoped that shareholders will make good use of so far-sighted a piece of legislation.



## Points from Published Accounts

### Ind Coope & Allsopp

A valuable feature of the accounts of Ind Coope and Allsopp is that a consolidated balance-sheet is included. But undisclosed provisions for taxation and deferred repairs are included with sundry creditors, which is a pity, since their omnibus item has the large total of £5,848,871, and since the group's holding of £2,197,175 suggests that the taxation content of the item is very considerable. It is also a deficiency that the fixed assets, brought in at £13,927,178, exclusive of trade investments (£40,648) and goodwill (£272,000) are shown at "cost, less depreciation and reserves," without any amplification of this curt formula being offered. The "surplus of assets over liabilities," helpfully described as representing reserves and undivided profits of the company and its subsidiaries after appropriations, amounts to £4,622,374. This compares with £3,975,079 a year earlier, and the net accretion of £647,295 goes against a growth of only £241,048 in 1944-45. Since the present company's additions to its own reserves and carry forward are practically the same as last time at £147,000 odd, there is a strong presumption that subsidiaries' retentions of profits have been a good deal larger. This makes it unfortunate that the chairman should have restricted his remarks on the trading experience to the parent's own figures and that, although interests in subsidiary companies are shown at £1,700,533, no consolidated profit and loss account should be submitted. In the circumstances there is only limited consolation to be drawn from the fact that dividends and interest from subsidiary companies are shown

separately from the holding company's direct trading profit on the one hand and other dividend receipts on the other.

### Hammond's Bradford Brewery

By contrast, another brewery undertaking, Hammond's Bradford Brewery Company, presents a full statement of group profits, showing the provision for taxation and that for "plant and property maintenance, deferred repairs, contingencies and terminal and other expenses in relation to E.P.T." Neither here nor in the consolidated balance sheet, however, are comparative figures furnished for 1944-45, an omission worthy of remark since group particulars in respect of that period were given in the statement for information published when application for permission to deal was made in respect of new shares issued to finance acquisition of an interest in Tadcaster Tower Brewery. The consolidated balance sheet shows the fixed tangible assets merely at cost less amounts written-off. It has, however, a special interest because it reveals that, although goodwill does not figure in the parent company's accounts, that item stands at £71,500 for the group as a whole, with another £927,655 represented by "premiums paid on shares in subsidiary companies, less amounts written off." This total of £999,155 for intangible assets compares with reserves and surplus amounting to £1,117,851; but the latter figure includes £217,971 described as "future taxation and estimated excess provision," an entry which, incidentally, might with advantage have been elaborated.

## LAW

## Legal Notes

### COMPANY LAW

In *Re Kent and Sussex Sawmills, Ltd.* (1946, 2 All E.R. 638), a summons by the liquidator of the company raised a short and interesting point under Section 79 of the Companies Act, 1929. It has been established that the requirements of that Section cannot be evaded by making what is in fact a mortgage or charge, in form an absolute assignment, or otherwise adopting a form which does not accord with the real transaction between the parties. To enable the company to carry out a contract with the Ministry of Fuel and Power, a bank agreed to provide overdraft facilities on condition that the company wrote to the Ministry authorising it to remit all moneys due under the contract direct to the company's account at the bank, the bank's receipt being a sufficient discharge. The letter to the Ministry further stated that the instructions were to be regarded as irrevocable unless the bank should consent to their cancellation. Later the company went into voluntary liquidation. The question for determination was whether the letter of authority constituted a charge on the book debts of the company under Section 79 (2) (e) of the 1929 Act. In that case, as it had not been registered under the Section, it would be void as against the liquidator. The bank contended that the transaction evidenced by the letter amounted to a sale by the company to the bank of the whole of the company's interest in the moneys due under the contract. Wynn-Parry, J., held that on the true construction of the letter of authority, no out-and-out sale by the company to

the bank was intended, but that the letter amounted to an equitable assignment by way of security and constituted a charge on the company's book debts under the Section, and that, as it had not been registered under that Section, it was void as against the liquidator.

### EXECUTORSHIP LAW AND TRUSTS

#### *Will—Condition—Public policy.*

Amongst conditions to gifts under wills which are void as being against public policy are those tending to separate children from parents. In *Re Piper* (1946, 2 All E.R. 503), by his will, the testator gave part of his residuary estate to be held, as to both capital and income, on trust for such of the four D. children "as attain the age of 30 years and do not before attaining such age reside with their father." Before the date of the will, as the testator well knew, the D. children's mother had divorced their father. Romer, J., held, on the construction of the will, that the condition as to non-residence was a condition precedent, and that as it was calculated to bring about the separation of parent and child, it was void as being against public policy. The gift would be effective freed from the void condition.

### The Institute of Book-keepers

The offices of the Institute of Book-keepers are now at 3, St. Helen's Place, Bishopsgate, London, E.C.3. The telephone number is London Wall 6596.

# Society of Incorporated Accountants

## Newcastle 50th Anniversary

The fiftieth anniversary of the Incorporated Accountants' Newcastle-upon-Tyne and District Society was celebrated at a dinner held in the Royal Station Hotel, Newcastle, on December 10. Mr. A. J. Ingram, F.S.A.A., President of the Newcastle and District Society, occupied the chair.

The guests included the Right Hon. the Lord Mayor of Newcastle-upon-Tyne (Alderman J. Pearson, J.P.) and the Lady Mayoress (Mrs. L. J. Onyon); the Sheriff of Newcastle-upon-Tyne (Alderman T. McCutcheon, J.P.) and Mrs. T. McCutcheon; the Right Hon. Lord Eustace Percy, M.A., LL.D., D.C.L. (Pro-Vice-Chancellor of the University of Durham); Mr. George Wansborough (Director of the Bank of England); Mr. F. Woolley, J.P., F.S.A.A. (President of the Society of Incorporated Accountants), and Mr. A. A. Garrett, Secretary; Mr. J. Charlesworth, LL.D. (Recorder of Scarborough); and numerous representatives of the official, professional and industrial life of the North-East Coast. The Right Hon. James Chuter Ede, M.P., Secretary of State for the Home Department, had accepted the invitation to be present but was prevented by a rearrangement of Parliamentary business.

Mr. A. J. Ingram, F.S.A.A., President of the Newcastle and District Society, proposed the toast of "The City and County of Newcastle-upon-Tyne." Extending a cordial welcome to the guests, he said they were very pleased to see their President, Alderman F. Woolley, and Mr. Garrett, Secretary of the Society of Incorporated Accountants, whose presence helped to draw the District Societies very close to the parent Society. Other honoured persons were Mr. S. T. Coulson, of West Hartlepool, their oldest member, and Mr. T. W. Scollick, immediate Past-President. He also welcomed ex-service members and students, but it was with sadness they remembered those who had made the supreme sacrifice. They esteemed and revered their memory. The District Society desired to pay homage to the City of Newcastle, and to the civic chiefs they extended their good wishes.

A reply was given by the Lord Mayor of Newcastle (Alderman J. Pearson, J.P.).

Mr. C. Percy Barrowcliff, F.S.A.A., member of the Council, proposed "Trade and Commerce." He said he felt that the leaders of industry had a most difficult task, but members of the accountancy profession would do all they possibly could to supplement their efforts. It gave him great pleasure to associate with this toast the name of Mr. G. Wansbrough, a director of the Bank of England. They wished Mr. Wansbrough every possible success in his efforts to re-establish industry and get things moving.

Mr. G. Wansbrough, responding, said the industry of Tyneside had historically a glorious record, and it had played an overwhelmingly important part in the highest peaks of economic development during the past 150 years. Tyneside was the first place where coal was got on a serious industrial scale; and the railways would always be associated with the name of Stevenson, electric light with Joseph Swan, and the development of power generation with Sir Charles Parsons, the originator and developer of the steam turbine. He hoped that the next half-century would see fresh life coming to Tyneside. The basic industries—coal and shipbuilding—had flourished, but now more and more the economic life depended upon the secondary industries. He had had the privilege to take part in various developments of that sort, and people coming from the South to estab-

lish new industries were delighted with what they found here. What gave them hope was the quality of the people of Tyneside, who had a staunchness, a steadiness and a readiness for hard work not matched in this country. He believed the Society was starting its second half-century on a new foot, and for Tyneside it would be a fresh epoch of prosperity. That was the hope from His Majesty's Government downwards.

The Right Hon. Lord Eustace Percy, M.A., D.C.L., LL.D., Pro-Vice-Chancellor of the University of Durham, proposed "The Society of Incorporated Accountants and Auditors." He said he would like to pay tribute to the Society for the way in which they had approached the problem of arranging a university degree course for entrance into the profession. He did not know any body of men who did business more easily, more thoroughly and more sincerely, for that scheme got working with a rapidity that none of them expected. Already this year there were 70 or 80 students of accountancy in the universities. Here they had 10 or 15, which was as many as any university in the country, even London. He approached this toast with all the more trepidation because it was coupled with the name of Mr. Woolley, who had, he believed, a considerable responsibility for the financial integrity of a sister university institution, and he could guess how many headaches must be caused to any accountant by the finances of universities. He was always seriously interested in the profession of accountancy and the part which it had to play and would increasingly play in the future, and he believed there was a bond of association which would be increasingly strong between the accountancy profession and the university. The standards of integrity were not improving anywhere in the world, and certainly not in politics. The world very much needed a conscience, and he thought the world knew it needed a conscience. That was why he thought the accountancy profession and the universities would in the future be the two institutions that really would be safe amid the fervour of nationalisation and socialisation. In earlier days he would have said that they were as safe as the Bank of England, but that was no longer quite an appropriate simile. (Laughter and applause.) He believed it would be a long time before the State, at any rate in this country, felt itself safe enough to silence the conscience which did exist in the accountancy profession and the universities. They might both be obliged to have what they called an artistic estimate of the truth, but, still, they were pledged to the truth as they saw it. That was their science and art, and it was their reason for existence.

Mr. F. Woolley (Southampton), President of the Society of Incorporated Accountants, responding, said the accountancy profession was fortunate in having Lord Eustace as Chairman of a Joint Committee of the universities and the profession in administering the scheme of university education for those training for accountancy. Thus the liberality of a university education would be combined with the unique practical training in a practising accountant's office. They all realised the great public spirit of Lord Eustace and his sympathetic humanity, and Mr. Woolley congratulated the N.-E. coast on the fact that Lord Eustace was the Pro-Vice-Chancellor of Durham University and upon the imagination and administrative ability which inspired his work, particularly on behalf of King's College, Newcastle.

The new Companies Bill would afford wide public interest. The Bill dealt with the important question of



the accounts of companies, and it was a tribute to the business community and the profession of accountancy that the accounts of many companies already voluntarily conformed to the requirements now adumbrated. He could not view the provisions in regard to private companies without some reservation, lest the new requirements should hamper smaller undertakings. Private companies had been singularly useful and free from major abuse, and he looked forward to their development in industry and commerce parallel with the large schemes of nationalisation to which the country was committed.

A signal development was embodied in proposals for the co-ordination of the accountancy profession. A draft Bill to give effect thereto had been accepted by the principal bodies of accountants, and he believed would shortly receive the attention of H.M. Government with a view to the profession being placed on a statutory basis for adequate protection of and service to the public.

The profession had in innumerable directions given assistance to the Government. He mentioned the important Advisory Panel set up by the Chancellor of the Exchequer to advise on E.P.T. refunds—of which his immediate predecessor, Mr. Richard Witty, Incorporated Accountant, and Mr. W. L. Barrows, Chartered Accountant, were members—and the Committee to deal with a water scheme for London, of which his Vice-President, Sir Frederick Alban, was a member.

In many directions the accountancy profession offered a promising field to capable men and women, and Mr. Woolley concluded by paying a tribute to those Incorporated Accountants who had served with H.M. Forces and who had returned to their professional work with so much zeal and promise.

### Dinner at Leicester

The Incorporated Accountants' District Society of Leicester held a dinner at the Bell Hotel, Leicester, on December 3. Mr. F. Dixon, F.S.A.A., F.C.A. (President of the District Society) presided, and among the guests were Lieutenant-Colonel Sir Robert Martin (Chairman of Leicestershire County Council), Councillor C. E. Worthington, C.B.E., J.P. (Deputy Lord Mayor of Leicester), Mr. F. Woolley, J.P., F.S.A.A. (President of the Society of Incorporated Accountants), Councillor G. Gallimore, A.S.A.A., F.C.I.S., Dr. H. Bradley, D.I.C., A.R.C.S., B.Sc., F.B.S.I. (Secretary of the Boot, Shoe and Allied Trades Research Association), Mr. H. F. Baker (President of the Leicestershire Society of Chartered Accountants), Mr. C. Newport (South Midland Society of Certified Accountants), Mr. Ian A. F. Craig, O.B.E. (Assistant Secretary, Society of Incorporated Accountants), and representatives of other professions and of banking, commerce, and industry in Leicester.

The Chairman stated that the dinner had been arranged as a welcome to members who had returned to civilian life after serving in H.M. Forces during the war.

Lieutenant-Colonel Sir Robert Martin (Chairman of Leicestershire County Council) proposed the toast of The Society of Incorporated Accountants. He traced the history of accountancy from the publication of Pacioli's treatise in Italy in 1495. The first English book appeared in 1543, another in 1588, and a larger and fuller book in 1635. Professional organisation of accountants began in Scotland in the middle of the nineteenth century. The English Institute and their own Society were founded in 1880 and 1885 respectively, and the profession became one of the most important elements in the national set-up. Accountants were concerned with the accounts of business in large and small units,

national currency and exchange, and the increasing complexity of income tax and commercial law. People whose fortunes were at stake needed some assurance that in all the vicissitudes of trade, those responsible for dealing with their money were conforming to the right standards of business propriety and keeping of accounts. The Society had about 8,000 members, who were playing their part in seeing that British business maintained its reputation for honesty and straightforwardness. They were contributing to the moral leadership exercised by the British people.

Mr. F. Woolley, J.P., F.S.A.A., President of the Society of Incorporated Accountants, responding, said that while they must keep up to date in knowledge and practice, it was good to remember that their roots lay in the far distant past. They were indebted to Sir Robert for his scholarly sketch of accountancy history. The father of the Society was Sir Robert's namesake, Sir James Martin. To-day every Incorporated Accountant had reason to be grateful that Sir James Martin along with others insisted upon certain essentials—professional equipment, reliability, and integrity.

As President of the parent body, he heartily congratulated the Leicester members for a very fine and representative gathering, which was a magnificent send-off to the post-war activities of their District Society.

The Council was a very active body, and it was a tribute to its members that they were willing to give up their personal and professional time to serve the interests of the profession. They had with them Mr. Craig, who had recently been appointed Assistant Secretary to the Society. The Council looked forward to Mr. Craig's future with every confidence and regard.

Mr. Woolley hoped that in the future greater interest will be taken in the activities of the District Societies by more members. The chief concern of a District Society must always be to look after its students and to encourage them and guide them in their studies for their future practice in the profession.

A recent development of educational policy of the highest importance was the scheme by which articulated pupils were able within a period of 5½ years to obtain both a University degree and a professional qualification. The procedure was entirely optional, but it had already attracted about 80 entrants. They would add to the status of the Incorporated Accountants of the future, and set standards of education and qualification of a higher order. This was a joint scheme, and they had had the co-operation of the Institute of Chartered Accountants and the Association of Certified Accountants.

Mr. Woolley referred to the question of co-ordination, and said that after three years' consultations and grappling with difficulties, matters had reached a satisfactory stage. They looked forward with confidence. It was most essential not only that persons who held themselves out as practising public accountants should be possessed of the essential qualifications, but that it should be declared by a body competent to do so that they did possess those qualifications. It had been a by-word that any man, with or without qualifications, had been at liberty to put a brass plate on his door and declare himself to be a public accountant. That was a danger to the public, a danger which co-ordination once it became law would once and for all remove.

Mr. Woolley paid tribute to those ex-service members who continued their studies while prisoners of war and who actually qualified while in captivity.

Councillor G. Gallimore, A.S.A.A., gave the toast "Our Guests."

In response, Councillor C. E. Worthington, C.B.E.,



J.P. (Deputy Lord Mayor of Leicester) said that the use of accountants was not so fully appreciated in this country as it was by business men on the Continent. His foreign colleagues would not move a step without their rearguard of accountants.

He could tell the men who had returned from the Forces that their colleagues who had been in Leicester during the war years had done a very good job indeed. They had worked at their profession under great difficulties, and intolerably long hours, and they had given all their spare time to the Home Guard or Civil Defence. No professional men could take precedence over accountants in that direction.

Dr. H. Bradley, D.I.C., A.R.C.S., B.Sc., F.B.S.I. (Secretary to the Boot, Shoe, and Allied Trades Research Association) also responded to the toast. He referred to his contact with members of the accountancy profession in connection with the activities of the local Research Committee. He had thoroughly enjoyed the discussions concerning research into boot and shoe costings.

Mr. L. Staples, A.S.A.A., proposed the toast "The President." He said that Mr. Dixon had been an Incorporated Accountant since 1902, having taken honours in 1901. He became a Chartered Accountant in 1927. He had devoted much of his life for the benefit of accountants, and particularly for the students.

Mr. Dixon, amid much applause, made suitable reply.

## DISTRICT SOCIETIES AND BRANCHES

### LONDON

A dinner dance will be held by the London and District Society at the Café Royal, Regent Street, London, W.1, on Thursday, February 21, 1947.

Members are asked to apply to the Secretary at Incorporated Accountants' Hall for tickets, the price of which will be £1 1s.

### BELFAST STUDENTS' SECTION

#### Syllabus of Lectures

1947

- Jan. 7 "Accounts in relation to Changing Price Levels," by Mr. L. T. Little, B.Sc.(Econ.).
- Jan. 27 "Law," by Mr. J. R. Lindsay.
- Feb. 11 "Developments in Audit Practice," by Mr. W. W. Bigg, F.S.A.A., F.C.A.
- Mar. 24 Brains Trust.

### BIRMINGHAM

Mr. C. Wheatley, A.S.A.A., of Messrs. W. G. A. Russell and Co., 12, Waterloo Street, Birmingham, 2, has been appointed Honorary Secretary of the Birmingham District Society.

### DUBLIN STUDENTS' SOCIETY

#### Syllabus of Lectures

1947

- Jan. 3 Annual Dance.
- Jan. 8 "Accounts in relation to Changing Price Levels," by Mr. L. T. Little, B.Sc., Lecturer in Economics, University College, Exeter.
- Jan. 22 "A Chat on Foreign Exchange," by Mr. G. W. Wilson.
- Feb. 12 "Developments in Audit Practice," by Mr. W. W. Bigg, F.S.A.A., F.C.A.
- Feb. 19 "The Stock Exchange," by Mr. W. A. E. Campbell.
- Mar. 5 "Costing as applied to various Industrial Types," by Mr. E. Mullen, A.C.W.A.
- Mar. 19 "What is an Accountant?" by Mr. R. A. Kidney, A.S.A.A.

Apr. 2 "Income-Tax in relation to Partnership," by Mr. P. J. Purtill, F.S.A.A., F.C.A., LL.B.

Apr. 23 "Examination Hints," by Mr. L. A. Mathews, A.S.A.A. Followed by Annual General Meeting.

The meetings will be held at Messrs. Robert Roberts and Co.'s Café, Dame Street, Dublin, at 6.15 p.m.

Mr. D. R. O'Donoghue, c/o Messrs. Magee, Woods and Hillan, 3, College Green, Dublin, has been elected Secretary of the Dublin Students' Society.

### GLASGOW STUDENTS' SOCIETY

A meeting of the Glasgow Incorporated Accountants Students' Society was held on December 3. Mr. Robert Fraser, F.S.A.A., presided, and was supported by Mr. P. G. S. Ritchie, F.S.A.A., Mr. Robert Milne, F.S.A.A., Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch, and Mr. J. Hawthorne Paterson, F.S.A.A., Hon. Secretary of the Students' Society.

The Chairman stated that this was the first meeting since the war, and they hoped to have regular meetings in the future. Mr. D. R. Matheson, LL.B., President of the Scottish Branch, had been expected to be present, and to address the meeting, but had been prevented by illness. Addresses were given by Mr. P. G. S. Ritchie and Mr. James Paterson. A general discussion took place on various suggested methods of assisting candidates in their studies.

### HULL STUDENTS' SECTION

#### Syllabus of Meetings

1947

- Jan. 15 Students' Annual Dance. At the Y.P.I., George Street, Hull, at 7.30 p.m.
- Jan. 17 "Developments in Auditing Practice," by Mr. R. Glynne Williams, F.C.A. At the Church Institute, Albion Street, Hull, at 6.15 p.m.
- Mar. 21 "Cheques," by Mr. Charles L. Lawton, M.Sc. (Econ.), Barrister-at-Law. At the Chamber of Commerce, Grimsby, at 7 p.m.
- Apr. 18 Students' Ten-minute Papers. Prizes for the best papers will be awarded from the A. H. Crumpton Prize Fund. At the Church Institute, Albion Street, Hull, at 6.15 p.m.

Senior members are invited to attend all the meetings.

## PERSONAL NOTES

Mr. F. C. A. Gorst Incorporated Accountant has commenced public practice at 90, Queen Street, London, E.C.4.

Mr. J. G. Bennett, Incorporated Accountant, has admitted Mr. N. W. Bradstreet, Incorporated Accountant, into partnership. The firm will continue to practise as Bennett and Grainger at Tudor House, 23-24, Rathbone Place, Oxford Street, London, W.1.

Mr. H. G. Field, Incorporated Accountant, announces that he is in public practice at 91-93, Charterhouse Street, London, E.C.1, under the style of Messrs. H. G. Field and Co.

Mr. A. C. Sargeant, Incorporated Accountant, Cape Town, has admitted Mr. S. H. Jones, C.A. (S.A.) into partnership. They will practise under the style of A. C. Sargeant and Jones.

Messrs. Clare Catley & Co., Smiths Chamber, 6, Westborough, Scarborough, regret to announce the death of their senior partner, Mr. Clare Catley, Incorporated Accountant. The practice will be carried on by the surviving partner under the same name and style as hitherto.

Mr. John Martindale, Incorporated Accountant, previously in partnership with Mr. Joseph Binns, Incorporated Accountant, is now practising on his own account in the name of Binns, Martindale & Co., Incorporated Accountants, at 3, King Street, Mirfield.

## REMOVALS

Messrs. Morgan and Co., Incorporated Accountants, have removed their offices to 88, Charlotte Street, Hull.

Mr. Morley F. Pearce, Incorporated Accountant, announces a change of address to 7, King Square, Bristol, 2.